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Report Highlights:

Inflation rate rises on costlier food items, *Wheat plunges below support price in Delhi...*, *...Wheat arrivals higher*, *India to launch counter probe into U.S. trade barriers*, *R&D palmolein sets to be the cheapest available oil in market*.

General Information:

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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INFLATION RATE RISES ON COSTLIER FOOD ITEMS

The annual Wholesale Price Index based inflation rose to 0.57 percent for the week ended April 18, above the previous week's annual rise of 0.26 percent. The annual rate of inflation rate was 8.23 percent during the corresponding week of 2008. The year-on-year rate of inflation, which had hovered below 0.5 percent for six weeks since March 2009, increased by 31 basis points largely due to a surge in primary articles and manufactured products, especially sugar. In the 'food articles' group, inflation was higher at 7.4 percent during the latest reported week compared with 7.1 percent in the previous week. (Business Line, 05/01/09)

WHEAT PLUNGES BELOW SUPPORT PRICE IN DELHI ...

Wheat is selling below the minimum support price (MSP) in the national capital. On April 24, common varieties of wheat were quoted at Rs. 10,580 to Rs. 10,700 (\$212 to \$214) per ton in Lawrence Road, while ruling even lower in other markets. This is against the MSP of Rs. 10,800 (\$216) per ton for the 2009/10 marketing year (Apr-Mar). The gap between the MSP and open market prices is even more in Uttar Pradesh, where wheat is now fetching only Rs. 9,300 to Rs. 9,400 (\$186 to \$188) per ton in some markets. "We are seeing a virtual free market in Delhi and much of U.P. Government agencies have not bought a single grain in Delhi. In U.P. they have so far purchased 479,000 tons, but procurement will end up nowhere near last year's 3.14 million tons. The bulk of the state's wheat is going to flour mills in the south and the rest of the country," according to market sources. The Food Corporation of India and other government agencies are concentrating their procurement operations mainly in Punjab and Haryana, where farmers have a more organized lobby. (Business Line, 04/25/09)

... WHEAT ARRIVALS HIGHER

Nearly 19 million tons of wheat have been procured by State and Central government agencies through April, the bulk of 16 million tons are being done in Punjab and Haryana alone. This is over 50 percent compared with procurement made during the same period last year. "Farmers have flooded the markets, particularly in Haryana and Punjab, with wheat because they don't find any value in holding back stocks. They perceive that they are unlikely to get more than the MSP fixed by the center this year," said a trade source. (Business Line, 04/30/09)

INDIA TO LAUNCH COUNTER PROBE INTO U.S. TRADE BARRIERS

India-U.S. trade ties are likely to hit a new low soon, with the Indian government deciding to launch a 'counter' investigation into the impact of US' tariff and non-tariff barriers on Indian exports. India's move comes close on the heels of a similar ongoing investigation by the U.S. – fact finding federal agency, the International Trade Commission (ITC), on the impact of such barriers on U.S. farm exports to India. Trade experts said these investigations will have an adverse impact on the World Trade Organization's Doha Round talks, already stalled due to differences between India and the U.S. "The Indian government's counter study on the same lines will be very helpful in understanding how the U.S. is restricting Indian farm and industrial exports as the civil society here is not doing any thing much in this regard," said Davinder Sharma, food and trade policy analyst. (Financial Express, 04/25/09)

RBD PALMOLEIN SET TO BE THE CHEAPEST AVAILABLE OIL IN MARKET

The current price structure of edible oils in India is such that today peanut oil (Rs 62 per kg) is the second most costly and mustard (Rs 49 per kg) the third most. Sesame oil (Rs 76 per kg) continues to be the most costly due to a drop in production over the last 5 years. The demand supply equation is also coming into play and it is one of the reasons why sesame oil is the costliest, retailing at Rs 125 per kg in South India. Mustard oil has made headway because of increased preference in the northern and eastern parts of the country. Earlier, groundnut oil was the costliest and mustard oil was fourth costliest. With a change in customs duty and customer preferences, the edible oil scenario is changing. Sunflower and soybean oil are currently ruling at Rs 45 and Rs 46 per kg. In view of the zero import duty, 286,000 tons of sunflower oil and 327,695 tons of soybean oil have been imported during first five months of this oil year (November-October) as compared to 26,490 tons of sunflower oil and 228,116 tons of soybean oil imported during the corresponding period of last year. RBD palmolein (511,070 tons verses 81,710 tons), however, continues to be the cheapest ruling at Rs 44 per kg. (Source: Business Line, 05/01/09)

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